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Industrial Development Board

Seventeenth session

SUMMARY RECORD OF THE 7th MEETING

Held at the Vienna International Centre, Vienna,
on Thursday, 26 June 1997, at 10 a.m.

President: Mr. I. POSTA (Hungary)
later: Mr. A. VELAZCO SAN JOSÉ (Cuba)

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The meeting was called to order at 10.50 a.m.

DEVELOPMENT OF HUMAN RESOURCES FOR INDUSTRY (*continued*) (IDB.17/6)

INTEGRATION OF WOMEN IN INDUSTRIAL DEVELOPMENT (*continued*) (IDB.17/3)

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INDUSTRIAL INVESTMENT PROMOTION (*continued*) (IDB.17/23; IDB.17/CRP.3)

PRIVATE SECTOR DEVELOPMENT (*continued*) (IDB.17/11)

1. **Mr. TIWARI** (India), speaking on agenda item 7 ("Development of human resources for industry"), welcomed the strategy of a more focused and integrated approach to human resource development for industry and more coordination and cooperation with the International Labour Organization (ILO) and other agencies. In view of the importance of that item, India was ready to offer its training facilities in industry to other countries, and would be willing to discuss concrete proposals in that regard.

2. On agenda item 8, he said that a training programme had been organized in India in December 1996, and had been attended by participants from 16 African and Asian countries, most of them women. His delegation welcomed UNIDO's efforts in that field.

3. On agenda item 9, he wished to stress the importance of continuing work in the areas of environment management systems (EMS) and eco-labelling, and in particular their implications for trade and small and medium industrial enterprises. His delegation welcomed activities in India such as the demonstration/training projects on EMS and the workshop on eco-labelling held in Madras.

4. On agenda item 10, the Government of India had initiated several measures to facilitate flows of foreign direct investment and technology transfer, and over the past three years had arranged a series of so-called INTECHMART programmes, bringing together Indian and foreign partners to promote financial and technical joint ventures. UNIDO had been closely associated with those programmes. The process had now been institutionalized in the form of an investment and technology promotion project, under which a series of INTECHMARTs were to be organized in the various regions of India to capitalize on their inherent potential and resources. The first INTECHMART for the southern region had been held in Bangalore in March 1997. Encouraged by its success, the Government proposed to

hold an INTECHMART for the eastern region in 1998. As a tool for investment promotion and technology transfer, INTECHMARTs had stood the test of time. However, their organizational aspects needed to be improved and overheads reduced.

5. On agenda item 11, his delegation welcomed UNIDO's initiatives to support private sector development, and was interested in the concept of regional industrial development agencies, which could assist countries' less developed regions by reducing disparities. It welcomed initiatives to strengthen relations with the private sector through the International Business Advisory Council and national business councils, and called for greater involvement of the private sector in UNIDO's activities.

6. **Ms. KLEIN BALLESTEROS** (Colombia) said that her country attached great importance to agenda item 10, *inter alia* because an ambitious UNIDO-assisted project involving the opening of an investment promotion office was currently under way in Colombia. In some cases, investment promotion offices had not performed very successfully: the offices in Switzerland and Turkey, for example, had had to be closed down. Her delegation wished to know what were the reasons for those closures.

7. **Mr. MARUNO** (Managing Director, Investment and Technology Promotion Division) said that the Secretariat was very much concerned about the Investment Promotion Service (IPS) network, and was making every effort to overhaul the existing system. The closure of the Zurich IPS office had not yet been finalized. The Istanbul office had closed because the host Government had decided to finance it for only one year; and it would of course be unusual if tangible results were achieved in such a short period. However, improvements in investment promotion activities should become apparent within a year or so.

8. **Mr. POUPARD** (France), speaking on agenda item 10 ("Industrial investment promotion"), announced that the previous day the French authorities had given final authorization for the US$ 2 million contribution by France to the programme to promote the agro-food sector referred to in paragraph 69 of document IDB.17/CRP.3, thereby affirming France's support for that important UNIDO activity.

9. **Mr. PISKOUNOV** (Managing Director, Human Resource, Enterprise and Private Sector Development Division), responding to the comments made by the representative of India, said that the Secretariat was optimistic with regard to integration of training programmes in concrete projects for technical assistance. Each project should include such a component, and good use would continue to be made of UNIDO's past achievements in that field. India had made interesting proposals regarding the use of experts from India in the training of entrepreneurs in countries of the Commonwealth of Independent States (CIS) and countries in transition and the involvement of women in industrial development; he had discussed those proposals with representatives of institutes in India.

10. With regard to private sector development, great importance was attached to the new concept of regional industrial development. A consolidated report on the subject, published the previous day and illustrating the concept's potential for UNIDO's future work, would be circulated to Board members.

THE REGIONAL DIMENSION:

(a) AFRICA, IN PARTICULAR THE SECOND INDUSTRIAL DEVELOPMENT DECADE FOR AFRICA (IDB.17/22, IDB.17/26; IDB.17/CRP.4)

(b) ARAB COUNTRIES PROGRAMME FOR INDUSTRIAL DEVELOPMENT, INCLUDING TECHNICAL ASSISTANCE TO THE PALESTINIAN PEOPLE (IDB.17/16)

(c) SPECIAL PROGRAMME FOR THE INDUSTRIAL DEVELOPMENT OF ASIA AND THE PACIFIC (IDB.17/20)

(d) REGIONAL COOPERATION PROGRAMME FOR THE INDUSTRIAL RECOVERY OF LATIN AMERICA AND THE CARIBBEAN (IDB.17/18)

INDUSTRIALIZATION OF THE LEAST DEVELOPED COUNTRIES (IDB.17/4)

11. **Mr. DEROY** (Managing Director, Country Programmes and Funds Mobilization Division), introducing agenda item 12 (a), said that the support programme for the Second Industrial Development Decade for Africa (IDDA II) had given priority to the least developed countries (LDCs), which had received a significant proportion of the projects and activities financed through funds allocated to IDDA II. Fifty per cent of the total allocation under IDDA II would go to the LDCs. The mid-term evaluation of the IDDA II programme had stressed that UNIDO was the only agency providing financial support for implementation of the programme. It had also been recommended that the programme should be targeted on a limited number of objectives. The Alliance for Africa's Industrialization seemed the most suitable instrument for implementation of a refocused IDDA II. The presentation at the first meeting of the session by the Chairman of the Conference of African Ministers of Industry (CAMI) had informed the Board of the decisions of CAMI and its adoption of a Plan of Action for the Alliance. He had also presented the Harare Declaration of the thirty-third

session of the Assembly of Heads of State and Government of OAU which, *inter alia*, endorsed the Plan of Action of the Alliance and the creation of a Steering Committee and a Patron Group in support of the Alliance.

12. On agenda item 12 (b), he said that in the context of the strategy for UNIDO support of industrial development in the Arab region, a number of activities had been developed with the Gulf Cooperation Council, the Arab Iron and Steel Union, the United Nations Economic and Social Commission for Western Asia and the Arab Industrial Development and Mining Organization. With regard to with the programme of assistance to the Palestinian people, three projects had been under implementation in 1996. Overall technical cooperation between UNIDO and the Arab countries had increased substantially. In particular, approval of new projects should increase by more than 17 per cent compared with 1996. In that context, it should be noted that the stress had been shifted from the Montreal Protocol to other sources of financing. Cooperation with the Islamic Development Bank had also been intensified and contacts with the League of Arab States should make it possible to expand regional cooperation.

13. On agenda item 12 (c) ("Special Programme for the Industrial Development of Asia and the Pacific"), he said that over the past year attention had focused on aid to LDCs, particularly through projects for economic and technical cooperation among developing countries. To counteract the drastic decrease in United Nations Development Programme (UNDP) resources allocated to industrial development programmes, new sources had been explored, such as the Multilateral Fund for Implementation of the Montreal Protocol, the Common Fund for Commodities and contributors to the Industrial Development Fund (IDF) for the region. As a result, total new approvals had reached $31.4 million in 1996 against $17.8 million in 1995. A cooperation agreement had also been signed between the Asian Development Bank and UNIDO at the end of 1996. Lastly, UNIDO would participate in the meeting of Ministers of Industry to be convened by the Economic and Social Commission for Asia and the Pacific (ESCAP) towards the end of November 1997.

14. On agenda item 12 (d), UNIDO's activity in Latin America and the Caribbean over the past year had focused on promotion of sustainable industrial development strategies in Mexico, Bolivia, Colombia, Haiti, Honduras, Panama and Uruguay, and on promotion of clean technologies, with cleaner production centre programmes in Argentina, Colombia and Uruguay. At regional level, UNIDO had intensified its cooperation with the Inter-American Development Bank, the Andean Development Corporation (CAF), MERCOSUR and the Caribbean Community (CARICOM).

15. On agenda item 13, the high priority attached to the LDC programme had been reflected in the figures for 1996 and was even more evident in 1997. In 1996, delivery of technical cooperation programmes for LDCs had increased by 20 per cent compared with 1995, from $8.6 million to $10.3 million. Of that total, 84 per cent had gone to African LDCs. That upward trend had continued in the first five months of 1997, with a 24 per cent increase in programme delivery compared with the previous year. A detailed list of activities implemented in LDCs had been submitted to the Board in document IDB.17/10/Add.2.

16. **Mr. BOIKO** (United Nations Economic Commission for Europe (ECE)) said that the fifty-second session of ECE in April 1997 had been its jubilee session, marking its fiftieth anniversary. More than 30 of the 55 member States had been represented at the jubilee session at the ministerial level. Two round tables had been held during the session, the first entitled "Building cohesion in Europe: technical answers to a political aspiration", and the second "ECE: forging partnerships between Governments, enterprises and non-governmental organizations". During the high-level segment of the session, a number of delegates had commented on recent intensive negotiations which had resulted in a series of reforms. The jubilee session had adopted the Declaration on the Strengthening of Economic Cooperation in Europe and the Plan of Action.

17. The reforms outlined in the Plan of Action could be summed up in three words: focus, flexibility, and efficiency. The Commission must focus its activities on its strong points: analysis, conventions, norms and guidelines in those areas where member countries believed that international cooperation was necessary and that the Commission was the best-placed institution to manage it. Flexibility was required to ensure that the programme of work moved on smoothly according to needs. Lastly, efficiency meant concentration on core activities and improved working methods.

18. The reforms detailed in the Plan of Action included a reduction in the number of programme elements by some 60 per cent, and a reduction in the number of principal subsidiary bodies from 14 to 7. Resources would thus be focused on those core areas of work considered to be ECE's strengths: environment and human settlements; transport; statistics; trade, industry and enterprise development; timber; economic analysis; and sustainable energy. A number of industrial development activities would be maintained within the framework of the new Committee on Trade, Industry and Enterprise Development. In addition, a Coordinating Unit for Operational Activities would respond to the needs of specific groups of countries: countries in transition, sets of countries belonging to the same subregion or groups of countries spread throughout a region but

having a common interest. That Unit would also address a number of issues in industrial sectors, organizing workshops and seminars at the request of interested countries. Also included in the Plan was a "consultative mechanism" under which some activities might be discontinued and new ones introduced.

19. The Special Programme for Economies of Central Asia (SPECA) was an example of a subregional initiative. The initiative had resulted from a request by the President of the Republic of Kazakhstan for special United Nations economic assistance for the Central Asian Republics of Kazakhstan, Kyrgyzstan, Turkmenistan, Tajikistan and Uzbekistan. As those countries were members both of ECE and of ESCAP, the Secretary-General had requested the Executive Secretaries of both Commissions to join in assisting the Central Asian countries in their efforts to build up a market economy system. In December 1996 a joint team of staff members had visited the region. A conceptual paper had been prepared, on the basis of which the two Commissions had elaborated some 30 possible project profiles. It was expected that, after final polishing, those projects would be submitted to the five Central Asian countries for their consideration. It was planned that each country would choose at least one project and act as a project leader for the subregion. Implementation of projects would require a multitude of problems to be solved, including funding; but the Governments concerned wished to develop closer economic cooperation in the subregion, which was important for the success of the projects. He believed that UNIDO also had an important role to play in the SPECA initiative, which could serve as an example of fruitful cooperation between ECE, ESCAP and UNIDO.

20. **Mr. AL-ERYANI** (Observer for Yemen) said that democracy and development were closely related. Yemen had developed a multi-party democracy based on free and direct elections and rotation of powers. The result had been political stability, a *sine qua non* for the development process, and accelerated development in Yemen. Efforts had been made to achieve financial and economic reform. A five-year development plan had been adopted, a privatization programme implemented, and free zones, such as the Port of Aden, set up. A Law on Investment had been enacted, offering concessions for investors in all fields, and especially for small and medium enterprises (SMEs), which were crucial to development in Yemen. Considerable attention had been paid to infrastructure and basic services. The private sector had been given ample freedom, with a view to enabling it to participate in that process.

21. His delegation recognized the effective role played by UNIDO in assisting LDCs. It hoped, however, that appropriations for the Arab countries programme would be increased, as they were insufficient to meet the needs of the 22 countries covered by the programme. In particular, there was an urgent need for assistance to the Palestinian people at a particularly difficult point in their history. More appropriations should be set aside to alleviate the sufferings of the Palestinians.

22. *Mr. Velazco San José (Cuba) took the Chair.*

23. **Ms. ALEMAYEHU** (Observer for Ethiopia), speaking on agenda items 12 (a) and 13, recalled that the Board, at its special session in April 1997, had agreed on the importance of UNIDO's role in supporting and promoting sustainable industrial development in LDCs (see decision IDB.S.7/Dec.3, annex, para. 1). The draft business plan on the future role and functions of UNIDO (IDB.17/25, annex) showed strong commitment to assistance for the least developed African countries.

24. Her delegation had hoped that the Secretariat would provide a comprehensive, in-depth analysis of performance under the heading of IDDA II *vis-à-vis* the objectives and goals envisaged in document IDB.16/15, but the report contained in document IDB.17/22 was far from satisfactory. It was clear from the mid-term evaluation and the key findings endorsed by the Conference of African Ministers of Industry that there had been a total failure to implement the IDDA II programmes. Her delegation therefore believed that the lofty goals should be abandoned: IDDA II should be integrated fully with the Alliance for Africa's Industrialization, which was a concept on which impressive progress had been made. The formulation of the Plan of Action for the Alliance had been a great step forward. The Alliance had been given unprecedented political support by the Organization of African Unity and CAMI and it was clear not only that Africa needed it but also that it should be given every chance to survive. It should be endorsed by the new UNIDO in its endeavour to enhance the industrialization of LDCs.

25. With regard to item 13, her delegation had been pleased to note from document IDB.17/4 and from chapter V of document IDB.17/10 that the industrialization of least developed countries, particularly in Africa, had received high priority among UNIDO's programmes and that the delivery of technical cooperation to LDCs had increased in 1996 by 20 per cent compared with 1995, with the highest share going to LDCs in Africa. The economies of LDCs in Africa were dominated by agriculture, and it was imperative that UNIDO's industrialization programme for LDCs should focus on linking agriculture with industry. Ethiopia was a beneficiary of the leather and footwear industry scheme carried out by UNIDO at both national and regional levels in Africa; although the effort was commendable, more could have been done in other sectors such as food, clothing and beverages. UNIDO's comprehensive study on the preparatory phase for the formulation of an agro-related industrial programme for African countries, including LDCs, could provide the groundwork for establishing a viable mechanism for the development of

agro-industries in LDCs. It should be integrated with other studies relevant to Africa and should be utilized in the implementation of priority programmes in the future.

26. Her delegation was seriously concerned at the proposal for an indicative level of reduction in UNIDO's budget of over 10 per cent, and urged the Board not to support it. Having listened to statements calling for a drastic cut in UNIDO's budget, Ethiopia appealed to donor countries and financial institutions to assist LDCs in maintaining sustainable industrial development so that they could make a modest contribution to economic globalization in the coming millennium.

OPERATIONAL ACTIVITIES FOR DEVELOPMENT (IDB.17/14)

UNIDO CONTRIBUTION TO THE SYSTEM-WIDE ACTION PLAN ON DRUG ABUSE CONTROL (IDB.17/7)

27. **The PRESIDENT** said that if he heard no objection he would take it that the Board wished to take note of the information provided in documents IDB.17/14 and IDB.17/7.

28. *It was so decided.*

PERSONNEL MATTERS (IDB.17/5; IDB.17/CRP.1 and IDB.17/CRP.8)

JOINT INSPECTION UNIT (IDB.17/13)

MATTERS RELATED TO INTERGOVERNMENTAL, NON-GOVERNMENTAL, GOVERNMENTAL AND OTHER ORGANIZATIONS (IDB.17/12 and IDB.17/21)

29. **The PRESIDENT** reminded the Board of the decision taken at the second meeting (see document IDB.17/SR.2, para. 3) regarding agenda item 19 ("Matters relating to intergovernmental, non-governmental, governmental and other organizations").

30. **Mr. LAESSIG** (Director, Personnel Services), speaking on agenda item 17 ("Personnel matters") and introducing the report by the Director-General contained in document IDB.17/5, noted that there had been a decrease from 796 to 786 in staff numbers at Headquarters between 1 August 1996 and 1 April 1997, but that the gender balance had remained more or less the same. Conference room paper IDB.17/CRP.1 also contained information on staff serving away from Headquarters.

31. As a result of the local salary survey conducted in 1996 at Vienna under the aegis of the International Civil Service Commission (ICSC), the salary scales of General Service staff had been revised downwards by 3.2 per cent. Salaries in payment had been frozen until they were overtaken by cost of living increases, but the lower levels of salary were applied to General Service staff recruited on or after 1 October 1996.

32. Certain changes approved by the United Nations General Assembly for implementation by the common system organizations had resulted in minor increases such as the 0.4 per cent increase in the Professional salary scales approved by the General Assembly. He would add that ICSC had recommended an increase of over 5 per cent. The changes had also entailed minor decreases, such as in the pensionable remuneration at some step levels in the Professional and higher categories, and the introduction of time-limits for the payment of one of the elements of the mobility and hardship allowance. The financial implications of the increases and decreases contained in the report were minimal and could be absorbed within the staff cost allocations contained in the approved programme and budget for the 1996-1997 biennium.

33. With respect to the representation of the UNIDO governing body on the Staff Pension Committee, the Board was invited to recommend to the General Conference at its seventh session candidates for the election of two members and two alternate members for the biennium 1998-1999.

34. The discussions on the draft business plan and the request for the preparation of budget proposals showing indicative levels of budget reduction of 10 and 20 per cent, and in particular the addition of a 30 per cent scenario, raised obvious questions concerning the staff of UNIDO. There was no doubt that any budget reduction at the present stage of the UNIDO reform process would place a severe strain on the Organization's capacity to deliver both substantive and administrative services. Major reductions would also have a long-term effect on the viability of the Organization. In anticipation of a possible budget reduction the Secretariat was already applying a go-slow in external recruitment. Since the sixteenth session of the Board in November 1996, only four external recruitments of Professional staff to Headquarters at the second and first officer level had been approved.

35. Resulting modifications in the organizational and staff structure must occur in an orderly manner in accordance with the Organization's priorities, staff regulations and rules and allow the Secretariat sufficient time for implementation. The progress report of the intersessional working group stated that any discontinuation of activities proposed therein should apply to new projects only, the understanding being that approved projects would be implemented in accordance with the relevant project documents. That meant that the services and expertise of staff implementing those projects and performing the relevant functions would still be required and would entail a budget provision.

36. Efficiency-enhancing measures were ongoing and were under constant review. Further decentralization and delegation were being considered, but they required a phased approach, training and the issuance of guidelines to ensure conformity with organizational policies and definition of responsibilities and accountability. All organizational units carried the burden of changes in organizational and staff structures. A reduction in resources must also take into account short-term requirements such as the resources required in terms of staff expertise and time for the implementation of changes.

37. Document IDB.17/CRP.8 contained additional information relating to a staff separation programme and referred in particular to the need for a voluntary programme, termination indemnities for fixed-term staff and the replenishment of the separation indemnity reserve so that it reached a level commensurate with the separation demand from the decisions of the Programme and Budget Committee (PBC). Member States should consider also the possibility of approving utilization of the present reserve fund for voluntary separations.

38. Due attention must be paid to the consequences that the decisions on the reform of the Organization might have on the staff of UNIDO, who had shown their commitment to its goals despite a high degree of uncertainty. The increase in staff productivity by 22 per cent between 1993 and 1996 would not have been achieved without that commitment, and he trusted that the Board's deliberations would be guided by the fact that the services of the staff were essential for the Organization and its Members.

39. **Mr. TIWARI** (India), speaking on behalf of the Asian Group, said that until such time as the new Director-General took over there should be no hiring, separations or promotions of UNIDO personnel, except for retirements when they were due. The Asian Group was fully aware of the powers and prerogatives of the Director-General with regard to hiring, firing and promotions, but the good practice observed in most Governments and companies was for such decisions not to be taken by an outgoing administration or management. The Asian Group's position took account of the fact that the present Director-General had already declared his intention not to seek re-election, that the process to elect his successor was already under way and that decisions involving personnel recruitment and promotion could wait, the necessary functions being performed by people already in the Secretariat. The Member States were deeply engaged in discussions of the future of UNIDO which were intended to make the Organization leaner and fitter, and in such a situation matters such as recruitment and promotion of personnel should wait. The recruitment of personnel, especially for administrative and Headquarters posts, seemed inopportune at the present transitional stage. Any such recruitment might leave the Organization with avoidable separation costs later, quite apart from the ill will that it would tend to create. The Asian Group's position was in line with the views expressed by several Member States regarding the need for transparency and accountability.

40. **Mr. BENATTALLAH** (Algeria) said that, having listened to the staff representative and the confused explanations given by the management, he had been surprised to learn that the latter was taking and was intending to take important decisions relating to the staff. Without the present opportunity Member States would probably have received no information and been confronted with a *fait accompli* just a few months before the appointment of a new Director-General.

41. The management of UNIDO seemed to be continuing to act as if it were at the beginning of a term of office and as if the Organization were not in a difficult transition phase. He requested the management to do nothing that might complicate the situation and increase the confusion and lack of transparency. A few months before the adoption of a reform plan, there was no usefulness in taking decisions relating to the staff at any level, whether at Headquarters or in the field. The decisions concerning pilot field offices should be halted pending the decision of Member States on field representation in the context of the new organizational structure. The efforts currently being made by Member States should not be thwarted by unjustified decisions which would tie the hands of the future Director-General. His delegation would regard any decisions taken despite the views expressed by the Member States as null and void.

42. **Ms. BRULS** (Netherlands), speaking on behalf of the European Union, said that in view of the decisions to be taken and their consequences for the new structure and number of employees of UNIDO, the European Union requested the Director-General to exercise restraint when recruiting new staff until the next session of the General Conference. In the light of the information provided by the External Auditor in the report made available to missions, the European Union requested the Secretariat to provide detailed figures well in advance of the September 1997 session of the PBC on additional funds needed for staff separation and information as to how it proposed that staff separations should be financed under the various budget scenarios proposed. The European Union was of the opinion that the remaining $1.8 million of the last separation indemnity reserve should already be used to separate staff on a voluntary basis, conditionally upon the Secretariat providing the Member States with a detailed schedule of intended separations, including the costs involved. That would be an important indicator that would help the Secretariat and the Member States to foresee the financial consequences for the next budget biennium. The European Union considered that the new Director-General should have a free hand in extending fixed-term contracts at D-2 and D-1 levels, which would imply that existing contracts of that type should be prolonged only until the end of 1997.

43. **Mr. FAY** (Hungary) requested that the Board recommend to the General Conference renewal of the mandate of Mr. Janos Pogany as an alternate member of the Staff Pension Committee for the biennium 1998-1999.

44. **Mr. IKEDA** (Japan), voicing general support for the views expressed by the representative of India on behalf of the Asian Group and the representative of the Netherlands on behalf of the European Union, said he was well aware of the position of the current Director-General on personnel matters. They were the Director-General's prerogative for the remainder of his term of office; however, his delegation had proposed the idea of freezing senior management posts because it was a special time. Recruitment was particularly important at senior management levels, where new recruits would determine the character and content of the future Organization, and his delegation felt it was reasonable to request a freezing of such recruitment until the new Director-General took office. His delegation had no particular views regarding separations, but agreed with the views expressed by the Netherlands concerning extensions. His proposal was that the current Director-General should grant automatic extension to those in high-level management posts whose contracts expired between now and the time when the new Director-General assumed office, with those provisional extensions being subject to review by the new Director-General. The matter might be more easily discussed in informal consultations on the basis of what appeared to be a convergence of views.

45. **Mr. MANCZYK** (Poland) associated his delegation with the position taken with regard to personnel matters by the representative of the Netherlands on behalf of the European Union, the representative of India on behalf of the Asian Group and the representatives of Algeria and Japan.

46. **Mr. RWENDEIRE** (Uganda) said that he would like first to refer to the question of the regional dimension. To enhance the national, subregional and regional coordination mechanisms, it would be useful to tap the vast experience gained by the countries of the Asia and the Pacific region, in order to promote networking in such areas as the transfer of technology, the sharing of facilities and ideas on industrial human resource development and the strengthening of South-South cooperation.

47. His delegation noted the tremendous efforts that Japan had made to promote development in the Asia and the Pacific region, and knew that Japan had strongly supported the developing countries in seeking innovative concepts for "new development strategies". Japan had stated its conviction that development was a prerequisite for peace and the maintenance of peace a precondition for development. At the Board's seventh special session, it had called for a "new global partnership" in which developed and developing countries committed themselves to addressing development issues in a more cooperative manner, based on the idea of the ownership by developing countries of the development process (see document IDB/S.7/SR.2, para. 57). Japan's proposal for a 30 per cent reduction in the budget had taken his delegation by surprise given Japan's commitment to UNIDO and other international development organizations. The Ugandan delegation trusted that the proposal represented a tactical rather than a strategic move.

48. Regarding personnel matters, his delegation agreed with the Japanese delegation that the future Director-General of UNIDO should come from outside the Organization and supported the proposal to postpone the deadline for the nomination of candidates.

49. **Ms. MARRERO PERMANYER** (Cuba) expressed the view that UNIDO must take measures to guarantee the continuity and efficiency of the ongoing programmes. The Board should not tie the Secretariat's hands and prevent it from recruiting highly specialized staff when they were really needed. The Secretariat was going through a very difficult period and the Board should not add to its difficulties.

50. **Mr. KHALIL** (Tunisia), speaking on behalf of the African Group, said he thought that UNIDO should freeze all recruitment during the current difficult period pending adoption by the General Conference of the programme and budget for the next biennium. African countries were very interested in the question of recruitment and hoped to see a managing director from Africa in the Organization.

51. The Group wished to propose that Mr. Fatunla of Nigeria should continue as a member of the Staff Pension Committee.

52. **Ms. KLEIN BALLESTEROS** (Colombia) shared the views expressed by the representative of Cuba. It would not be appropriate to impose constraints on the Director-General. The Board should trust him to use his best judgement in conducting UNIDO's affairs until the next session of the General Conference.

53. **Mr. ALCAZAR ALMEIDA** (Brazil) said that the Director-General enjoyed his full confidence. The Board should not tie his hands.

54. **Mr. HOLQUIN** (Ecuador) expressed his support for and trust in the Director-General. He fully agreed with the views expressed by the representatives of Cuba, Colombia and Brazil.

55. **Mr. KHALIL** (Tunisia), speaking on behalf of the African Group, wished to make it clear that there was no lack of confidence in the Director-General on the part of the African Group, but it was a question of common sense. In view of the agreement reached concerning the

reorganization of UNIDO, the new business plan and the suppression of many activities, recruitment should be postponed until the General Conference had confirmed or rejected the recommendations of the Board.

56. **Mr. HOBEICA** (Lebanon) reiterated his confidence in the Director-General. He trusted that the Director-General would take action in accordance with the agreed business plan until such time as it was adopted by the General Conference.

57. **Mr. PUCCIO HUIDOBRO** (Observer for Chile) said that it was vitally important for the Director-General to be able to act with as much flexibility as possible. It would be wrong to add to his existing difficulties. Member States had elected the Director-General for a specific period and must enable him to perform his duties until the end of his mandate.

58. **Mr. RODRIGUEZ BAEZ** (Paraguay) supported the views expressed by the representatives of Cuba and Chile.

59. **Ms. BRULS** (Netherlands), speaking on behalf of the European Union, said that what the European Union countries wished for was restraint on the part of the Director-General.

60. **Mr. IKEDA** (Japan) proposed that the intersessional group should be asked to study the important subject now under discussion in the light of the present debate.

61. **Mr. HOBEICA** (Lebanon) said that the Board should not tie the Director-General's hands during the difficult circumstances in which UNIDO now found itself and should allow him to continue to manage the implementation of the Organization's programme.

62. **Mr. DE MARIA Y CAMPOS** (Director-General) said that he had already explained his position in some detail the previous day and regretted that the debate had been reopened.

63. He had been elected by some 160 Member States, and was responsible for running UNIDO to the best of his ability. He had been through a very difficult period, an experience more difficult than any other Director-General of UNIDO—and possibly any other executive head of an agency—had known, and he had done his best to fulfil his functions as carefully as possible in line with the United Nations Charter and the principles that should govern the conduct of a director-general of a specialized agency. There were personal agendas, but the Board had not been convened to talk of such agendas. The Board and the Director-General were trying to find a way to strengthen the Organization. It was neither the time nor the place to discuss other subjects. He intended to exercise his constitutional rights until the end of his mandate.

64. He was well aware of UNIDO's current situation. Decisions made by the Division of Administration concerning staff should not harm the Organization or compromise it. Common sense must prevail. The Board must realize, however, that UNIDO was facing very serious staff problems. For example, the Treasurer was leaving; she had been given a three-year contract by another organization. In fact, five staff members in high-level posts were leaving. There was a very serious problem of renewal or extension of contracts. UNIDO would have to show that, in spite of the forces operating against it, it could move forward to implement the projects it had adopted. If he, the Director-General, found himself in a situation in which he was unable to carry out his work, or if he saw corruption, for example, he must be able to take action.

65. As far as promotion was concerned, the procedure followed at present was quite different from that followed in the past. Promotion would first and foremost take place through internal recruitment to higher posts, when appropriate and when all the requirements were met. Promotion could also be given when a post was reclassified, but he assured the Board that no such promotions were envisaged at present. Promotions also took place in certain cases when certain established trial periods had been completed; no such promotions had been made during the current year but it would be hard not to apply the normal procedures.

66. He had no problem with the European Union recommendation for restraint, which was in accordance with his own view of his office. One way of moving forward was to show confidence in the decisions taken by Member States and to respect decisions taken by the General Conference in the past. He would like to convince the Board that he would continue to carry out his functions very carefully. He wished to leave UNIDO in the best possible situation for his successor.

67. He wished to raise another point that had legal implications. As all were aware, the entire United Nations system was in difficulties at present. He had today received a copy of a recent decision by the Congress of the United States of America prohibiting payments to UNIDO and certain other organizations. It was stipulated that none of the funds authorized to be appropriated under the decision should be used to pay any arrears to the United Nations Industrial Development Organization, costs for merging UNIDO into the United Nations or costs associated with any other agency from which the United States had withdrawn with respect to which Congress had rescinded funding. He had discussed the matter with the Legal Service, and believed that the Board should be informed and take action. He personally believed the decision to be contrary to international law, and he very much hoped that the Board would adopt a resolution on the matter. Like other Member States, the United States should pay its debts. Failure to do so would

not help to bring about an effective reform of the United Nations system. The text of the United States Congress decision would be made available to the Board.

68. **The PRESIDENT** said that the Director-General had clearly described his attitude towards his responsibilities and was aware of the need for caution. It could not but be a mistake to tie his hands.

69. The Director-General had also requested the Board to take action concerning the decision made by the United States Congress.

PREPARATIONS FOR THE SEVENTH SESSION OF THE GENERAL CONFERENCE (IDB.17/15)

70. **Mr. PAPULI** (Acting Secretary, Policy-making Organs) introduced document IDB.17/15, calling attention to the fact that the provisional agenda for the seventh session of the General Conference should be drawn up during the current Board session. The draft provisional agenda contained in the annex to the document would need to be updated to include any new items emanating from the current session and possibly from the eighteenth session. He reminded the Board that the Bureau of the General Conference at its seventh session would consist of a President from list B of Annex I to the Constitution, two Vice-Presidents from African States in list A, two Vice-Presidents from Asian States in list A, one Vice-President from list B, two from list C and two from list D. The African States in list A and Member States in list B had agreed to exchange among themselves the principal office of President of the General Conference for the years 1993 and 1997. The rotation listed in appendix A of the rules of procedure of the General Conference was therefore not applicable to the election of the President of the General Conference at the seventh session.

The meeting rose at 12.55 p.m.